

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 OPIC-06 EB-07 L-03 COME-00 CIAE-00

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R 041900Z SEP 75

FM AMEMBASSY LIMA
TO SECSTATE WASHDC 6673
INFO AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

UNCLAS LIMA 7288

DEPARTMENT PASS TO OPIC

E.O. 11652: N/A
TAGS: ECIN, EINV
SUBJECT: ANDEAN PACT: TREATMENT OF FOREIGN CAPITAL

1. THE CONSULTATIVE COMMITTEE, ESTABLISHED UNDER DECISION 19 OF THE COMMISSION AND MADE UP OF GOVERNMENT REPRESENTATIVES FROM THE SIX COUNTRIES, WILL MEET OCTOBER 1-3 TO EXAMINE THE APPLICATION OF DECISION 24 AND TO DRAFT UNIFORM REGULATIONS. THE PRINCIPAL ORDER OF BUSINESS WILL BE CHILE'S PLAN TO SELL ABOUT 75 FIRMS CURRENTLY UNDER CONTROL OF CORFO. IN LINE WITH ARTICLE 3 OF DECISION 24, CHILE HAS TO OFFER THESE FIRMS TO SUBREGIONAL INVESTORS BEFORE INVITING INVESTMENT CAPITAL FROM NON-ANDEAN SOURCES.

2. OTHER ISSUES, INCLUDING THE 14 PERCENT PROFIT REMITTANCE LIMITATION, MAY ALSO BE DISCUSSED. THE AGENDA WILL DEPEND ON THE INITIATIVES OF THE MEMBER COUNTRIES.

3. DECISION 24 IS NOT ON THE PROVISIONAL AGENDA FOR THE OCTOBER 7 COMMISSION MEETING. THE REASON, ACCORDING TO A JUNTA LAWYER, IS THAT THE JUNTA WOULD HAVE INSUFFI-
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CIENT TIME TO EVALUATE THE CONSULTATIVE COMMITTEE FIND-

INGS AND TO PREPARE A PROPOSAL.

4. PERU'S FAILURE TO RATIFY DECISION 46 (ANDEAN MULTI-NATIONAL ENTERPRISES) WAS AGAIN DISCUSSED AT THE LAST COMMISSION MEETING. PERU REAFFIRMED ITS INTENTION TO PUT THIS DECISION INTO EFFECT. THE PROBLEM IS THAT PERUVIAN FIRMS WITH "INDUSTRIAL COMMUNITIES" WOULD BE DIFFICULT TO INTEGRATE INTO MULTINATIONAL ENTERPRISES. THERE ALSO IS THE FEAR OF CAPITAL FLIGHT. HOWEVER, PRESSURE IS MOUNTING ON PERU TO FIND A SOLUTION. SOME ANDEAN MULTI-NATIONAL FIRMS HAVE ALREADY BEEN INCORPORATED IN PANAMA, OUTSIDE ANDEAN JURISDICTION.

5. FOR VARYING REASONS, ALL COUNTRIES EXCEPT PERU SEEM TO ATTACH GREAT IMPORTANCE TO DECISION 46. IT WOULD FACILITATE MUCH NEEDED CAPITAL FLOW AMONG ANDEAN COUNTRIES AND WOULD ALSO PERMIT GREATER FLEXIBILITY FOR FOREIGN (NON-ANDEAN) FIRMS TO PARTICIPATE IN SUBREGIONAL JOINT VENTURES.

6. FOR OPIC: EMBASSY OFFICER WAS INFORMED BY JUNTA LAWYER THAT ARTICLE 51 IS NOT ON THE AGENDA FOR THE MEETING ON DECISION 24. THE INITIATIVE WOULD HAVE TO COME FROM ONE OF THE MEMBER COUNTRIES. INFORMANT ADDED THAT A MODIFICATION OF ARTICLE 51 WOULD ENCOUNTER VERY STRONG OPPOSITION.

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Message Attributes

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